

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02

OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 PER-01 CEA-01

STR-07 OES-07 /102 W

-----087053 021613Z /45

R 020831Z MAR 78

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 9680

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 COLOMBO 0971

E.O. 11652: XGDS-1

TAGS: PINT, EAID, CE

SUBJ: SRI LANKA: ATTITUDES OF KEY FIGURES ON MATTERS OF
INTEREST TO USG

1. BEGIN SUMMARY: THIS IS MY ASSESSMENT OF HOW SRI LANKANS
CLOSE TO PRESIDENT JAYEWARDENE PERCEIVE THEIR COUNTRY'S SIT-
UATION. THE GROWING SENSE OF CONCERN DESCRIBED IS WIDESPREAD
AMONGST KEY SRI LANKAN FIGURES AND SOME FOREIGN OBSERVERS.
I DO NOT SHARE THEIR MORE LUGUBRIOUS CONCLUSIONS. NO IMMEDIATE
USG ACTIONS ARE PROPOSED. END SUMMARY.

2. THE GOVERNMENT PARTY IS WORRIED.
A NUMBER OF JAYEWARDENE'S CLOSEST ADVISORS ARE BECOMING
INCREASINGLY NERVOUS ABOUT THE PRESSURES THEY ARE HAVING TO
IMPOSE ON THE POPULATION IN ORDER TO QUALIFY FOR IMF SUPPORT.
THEY HAVE ALREADY CUT HALF THE POPULATION FROM THE RICE
RATION - NO MEAN FEAT - AND ARE EXPECTED TO SHORTLY RAISE THE
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PRICE OF FLOUR. THESE COST OF LIVING INCREASES, ON TOP OF
RISING PRICES RESULTING FROM THE SHARP DEVALUATION AND THE
PROFLIGATE MONETARY/FISCAL POLICIES OF THE PREVIOUS GOVERN-
MENT, ARE, THEY BELIEVE, STRAINING THE REGIMES ASSURED POPULAR
SUPPORT. MOST GOVERNMENT SPOKESMEN UNDERSTAND - AND ACCEPT -
THE ECONOMIC LOGIC AND ARE DETERMINED TO FOLLOW THE COURSE
LAID DOWN IN THE NOVEMBER 1977 BUDGET. BUT MANY NOW FEAR

THEY ARE ABOUT TO PUSH ECONOMIC REFORM TOO FAR TOO FAST FOR THEIR POLITICAL SAFETY.

3. OPPOSITION CONCERNS.

IN DISCUSSION WITH ME ON FEBRUARY 21, MRS. BANDARANAIKE EXPRESSED ANXIETY THAT A RENEWED YOUTH INSURGENCY WAS BY NO MEANS EXCLUDED DESPITE IMPROVED POLIC SURVEILLANCE. THAT UNDERLYING COMMUNAL FORCES REMAIN POTENTIALLY EXPLOSIVE DESPITE APPARENT SURFACE CALM SINCE AUGUST WAS RECENTLY DRAMATIZED WHEN THE GOVERNMENT FELT CONSTRAINED TO CLOSE ALL SCHOOLS FOR TWO DAYS RATHER THAN RISK RENEWED COMMUNAL DISORDERS OVER EDUCATIONAL POLICY (SEE COLOMBO 883).

4. GSL IMMEDIATE NEEDS.

NUMEROUS GOVERNMENT LEADERS BELIEVE THEY CAN RETAIN SUFFICIENT PUBLIC SUPPORT TO INSTITUTE TOUGH DEVELOPMENT MEASURES WITHIN DEMOCRATIC PRACTICES IF THEY CAN DEMONSTRATE PROMPT ACTION ON THE MAHAWELI GANGA PROJECT. TO SAFEGUARD THEIR POLITICAL POSITIONS IN THE FACE OF ECONOMIC POLICIES THEY HAVE ADOPTED, THEY FEEL THEY MUST HAVE SOMETHING VERY SUBSTANTIAL TO PROCLAIM IN THE FORM OF COMMITMENTS FROM DONORS BY NEXT BUDGET SPEECH IN NOVEMBER AT THE LATEST.

5. THE PACE OF ASSISTANCE.

HOWEVER, THE PRESENTLY SCHEDULED SERIES OF INTERNATIONAL STUDIES

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IS FELT BY THESE WORRIED SRI LANKANS AS FAR TOO PEDESTRIAN TO MEET THEIR POLITICAL URGENCIES. FOR EXAMPLE, THEY SEE LITTLE EVIDENCE THAT THE IBRD IS PUSHING ITS STUDIES WITH THE VIGOR MCNAMARA AND STERN LED THE GSL TO EXPECT LAST NOVEMBER. INDEED, THEY AVER THAT THE PACE APPEARS HERE TO BE BUSINESS AS USUAL, WHICH IS NOT AT ALL WHAT THEY HAD COUNTED ON. THESE THEREFORE HOPE SOME SUBSTANTIAL DONORS WILL MAKE A SUFFICIENTLY FIRM COMMITMENT SOON SO THAT THEY CAN GO AHEAD, COMMITTING SCARCE DOMESTIC BUDGET FUNDS AND ADMINISTRATIVE AND HUMAN EFFORT TO MAKE A VISIBLE BEGINNING.

6. USAID CONSTRAINTS.

WITHOUT ANY ENCOURAGEMENT WHATSOEVER FROM US, THEY WOULD PREFER TO HAVE THE U.S. ASSUME THIS ROLE. WE HAVE EXPLAINED (A) THE USG'S CONGRESSIONAL RESTRICTIONS ALONG LINES CLARIFIED BY AIDREP ARNDT AND ADMINISTRATOR SULLIVAN WHICH PRECLUDE FINANCING "BIG DAMS", AND (B) OUR COMPLEX BUDGETING AND CONGRESSIONAL PROCEDURES, WHICH EFFECTIVELY RULE OUT ANY U.S. COMMITMENTS FOR MAHAWELI BEFORE FY 1980.

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7. SRI LANKAN PERCEPTION OF U.S. STANCE.
WHILE THEY UNDERSTAND THESE PROCEDURES, AND THEREFORE DO NOT
SERIOUSLY EXPECT US TO TAKE THE LEAD, THEY REMAIN PUZZLED
ON TWO COUNTS:

(A) PRESIDENT CARTER HAS SPOKEN VIVIDLY OF THE VIRTUES OF
DEMOCRATIC PROCESSES AND HOW MUCH SYMPATHY WE FEEL TOWARD
THOSE LEADERS AND PEOPLES WHO ARE STRUGGLING TO PUSH DEVELOP-
MENT WITHIN DEMOCRATIC PROCESSES. YET THEY DO NOT SEE A DRA-
MATIC INCREASE IN AID BEYOND OUR PL 480 AND A NUMBER OF USEFUL
PROJECTS DEVELOPED WITH THE PREVIOUS GOVERNMENT. THEY
REALIZE THAT THE INHERITED SHELF OF PROJECTS READY FOR FINAN-
CING WAS VIRTUALLY NON-EXISTENT WHEN THE JAYEWARDENE GOVERN-
MENT TOOK OVER. HOWEVER, IF PRESIDENT CARTER REALLY MEANS
WHAT HE SAYS, THEY ASK, CAN'T SOMETHING MORE SUBSTANTIAL BE
MOUNTED ON THEIR MAJOR IRRIGATION ENTERPRISES SOONER THAN 1980?

(B) THEY BELIEVE THAT THE U.S. SHARES THEIR VIEW THAT SRI
LANKA IS EXCEPTIONAL IN A NUMBER OF WAYS. FOR THE PAST TWENTY
YEARS IT HAS BEEN FOLLOWING RATHER PRECISELY THE RECOMMENDATIONS
OF THE U.S. CONGRESS "NEW DIRECTIONS." MEDICAL CLINICS ARE
WIDELY DISPERSED; SCHOOLING IS VIRTUALLY UNIVERSAL AT THE LOWER
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GRADES AND FREE THROUGH UNIVERSITY; LITERACY IS OVER 85 PER-
CENT; THE WHOLE POPULATION INCLUDING THE POOREST OF THE POOR

HAVE BEEN RECEIVING COSTLY FOOD SUPPORT SUBSIDIES. AS A RESULT, LIFE EXPECTANCY NOW MATCHES THAT OF WASHINGTON, D.C.; POPULATION GROWTH RATES HAVE FALLEN FROM A HIGH OF 2.8 FIFTEEN YEARS AGO TO NEARER 1.7 NOW. NEARLY ALL FARMERS OUTSIDE THE ESTATE SECTOR ARE SMALL FARMERS, AND IRRIGATION, EXTENSION AND AGRICULTURAL INPUTS, THOUGH NOT YET FULLY EFFECTIVE, PARTICULARLY IN WATER MANAGEMENT, HAVE FOR MANY YEARS BEEN DIRECTED TOWARD THE SMALL FARMER.

8. THE STING.

INDEED IT IS THE JUDGEMENT OF INCREASING NUMBERS OF SRI LANKANS AND FOREIGN OBSERVERS THAT SRI LANKA'S DEMOCRATICALLY ELECTED GOVERNMENTS DEVOTED EXCESSIVE RESOURCES TO ACHIEVING THESE LAUDABLE SOCIAL GOALS, AND MEETING THE NEEDS OF THE POORER SECTORS OF THE POPULACE. THIS CAUSED INSUFFICIENT INVESTMENT IN MAINTAINING EQUIPMENT, FACILITIES AND ROLLING STOCK INHERITED AT INDEPENDENCE AND IN PRODUCTIVE ENTERPRISES SUCH AS IS NOW CALLED FOR BY THIS GOVERNMENT IN THE MAHAWELI AND OTHER DEVELOPMENT PROJECTS. UNEMPLOYMENT IS OVER 20 PERCENT OF THE WORKFORCE; ASPIRATIONS ARE VERY HIGH BUT THE LEVEL OF DOMESTIC INVESTMENT NEEDED TO REDUCE THIS HIGH LEVEL OF UNEMPLOYMENT IS INADEQUATE. SOME ARGUE THAT SRI LANKA IS AN EXAMPLE OF OVER-EMPHASIS ON THE "NEW DIRECTIONS" AT THE EXPENSE OF PRODUCTIVE INVESTMENT. THEY THEREFORE WONDER WHETHER USG POLICIES DESIGNED TO DEAL WITH THE OVER-EMPHASIS ON LARGE CAPITAL INVESTMENTS IN, SAY, PAKISTAN AND THAILAND, SHOULD AUTOMATICALLY BE APPLIED TO THEM.

9. SRI LANKAN ARGUMENTS DIRECTED AT U.S.

RECENT VISITORS, INCLUDING TOM THORNTON (NSC) AND AMBASSADORS CAROL LAISE AND MARSHALL GREEN, AS WELL AS ADMINISTRATOR
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SULLIVAN HAVE BEEN THE TARGETS HERE OF GSL PRESENTATIONS DESIGNED TO HIGHLIGHT ANOMALIES IN OUR INABILITY TO FOLLOW THROUGH ON PRESIDENT CARTER'S STATED INTEREST IN FAVORING DEMOCRATIC REGIMES AND THIS GOVERNMENT'S RENEWED COMMITMENT TO RATIONAL ECONOMIC DEVELOPMENT POLICIES. SRI LANKANS PROCLAIM TO US THAT THEY ALSO DO NOT UNDERSTAND WHY THE IBRD ACCEPTS THE DELAYS IN THE NEDECO STUDY OR DOES NOT PROVIDE FROM ITS LARGE AND QUALIFIED STAFF THE SKILLED PERSONNEL NECESSARY TO EXPEDITE THE REVIEWS WE ALL AGREE ARE DESIRABLE. THEY AWAIT WITH ANTICIPATION AN OPPORTUNITY TO DISCUSS THESE MATTERS WITH THE SMALL BANK TEAM DUE HERE SHORTLY.
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